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EMPLOYER INTENTIONS TO USE THE WIN TAX CREDIT PROGRAM: A SURVEY OF EMPLOYERS WHO HAD PREVIOUSLY HIRED WIN ENROLLEES

J. David Roessner

Bureau of Social Science Research, Incorporated

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by

J. David Roessner

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This report presents the results of a quick survey of employers' intentions to use the WIN (Work Incentive) Job Development Tax Credit Program, conducted under a modification of a contract for a survey of youth in WIN projects. Under the program, employers may get income-tax credits for hiring WIN program participants if the employees are retained for a specified period. The report is based on responses to a questionnaire by 28 percent of 205 private employers who had previously hired WIN enrollees.

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GENERAL NOTES ON TABLES

Unless stated otherwise, "no answers" and "don't knows" have been excluded from tables of frequencies and percentages. As a result, there is some variation in numerical totals. Due to rounding, some percentage figures do not add to 100.

INTRODUCTION

Title VI of the Revenue Act of 1971 enables private, profit-making businesses to deduct from their income taxes 20 per cent of the wages paid to employees hired under the Work Incentive program (WIN). The "Job Development Tax Credit" (JDTC) became effective with the beginning of calendar 1972; employers can deduct 20 per cent of the total wages paid WIN employees for the first 12 months of employment (which need not be consecutive) provided the employment continues for another 12 months. Prior to the beginning of fiscal 1973, when, as a result of the Talmadge amendments, an estimated 1.5 million persons will register with the WIN program, only those WIN enrollees currently in training will qualify as WIN employees under the tax credit. There are approximately 150,000 persons now enrolled in WIN.

This report presents the results of a small, national survey of employers who had previously (1970) hired enrollees from the WIN program. The primary objectives of the survey were:

1. To determine the number and kinds of employers who intend to use the tax credit;

2. To determine the number of WIN employees they intend to hire under the tax credit program, their occupational categories, and hourly wage;

3. To investigate the reasons employers would <u>not</u> use the tax credit, and

4. To investigate the likely effect on employer intentions of financial incentives to participate in the program.

A description of the WIN tax credit program and a questionnaire were mailed to a sample of 205 private employers (see Appendix II for a copy of the program description and questionnaire and Appendix I for details of the survey methodology). However, only 57 (28%) of the questionnaires were returned in time to be included in the analysis. Despite the fact that the distributions by size and industry of responding employers are similar to those of the original sample, the very low response rate means that conclusions drawn from the data analysis are suggestive of trends only and that interpretations must be treated with great caution.

DESCRIPTION OF RESPONDENTS

The bulk of responding employers were engaged in three types of industries: wholesale and retail trade (33%), services (30%), and manufacturing (24%). The distribution of respondents by industry closely resembles that of the original sample, though employers in wholesale and retail trade tended to be slightly overrepresented among respondents (Table 1).

TABLE 1

STUDY POPULATION: COMPARISON OF ORIGINAL SAMPLE EMPLOYERS WITH RESPONDING EMPLOYERS, BY INDUSTRY

Industry	Original Sample Employers		Responding Employers	
	Number	Per Cent	Number	Per Cent
Agriculture, forestry, fisheries	3	1	-	-
Mining	3	1	1	2
Contract construction, special trade contractors	9	4	1	2
Manufacturing	56	26	13	24
Transportation, communication, utilities	20	9	2	4
Wholesale and retail trade	48	22	18	33
Finance, insurance, real estate	19	9	3	6
Services	61	28	16	30
Total	219	100	54	101

The respondents, like the sample employers, tended to be small: 60% of the responding employers had fewer than 100 employees on their payrolls as of March 1972 (Table 2).

TABLE 2

STUDY POPULATION: COMPARISON OF ORIGINAL SAMPLE EMPLOYERS WITH RESPONDING EMPLOYERS, BY SIZE

Size	Original Sample Employers		Responding Employers	
	Number	Per Cent	Number	Per Cent
Less than 20	58	27	18	33
20-99	70	32	15	27
100-499	42	19	13	24
500 or more	49	22	9	16
Total	219	100	55	100

The data suggest that many employers had hired WIN enrollees in the past but were unaware that they had done so. As described in detail in the methodological appendix to this report, the employers surveyed for this study were also respondents in another, earlier study which investigated the process of integration of WIN employees into the regular work force.[1] As of mid-1970, the time of the earlier survey, all the employers in the present sample were known to have had at least one WIN enrollee on the payroll. Yet 35 per cent of the respondents in the present survey said there was no Work Incentive program in their company's

[1] J. David Roessner, Employment Contexts and Disadvantaged Workers, Bureau of Social Science Research, Inc., Project Number 429, November 1971.

community, and 7 per cent said they did not know whether there was or not. Only 17 of the respondents (30%) said they had hired WIN trainees or welfare recipients during 1971 and 1972. There is, therefore, little doubt that a great many more sample employers actually had hired WIN enrollees in the past than were aware of the fact. The earlier study referred to above also found that a large proportion of employers were unaware that they had WIN enrollees on their payrolls. In many cases this was because the enrollees were self-placed and/or did not wish employers to know of their former welfare status.

Labor turnover rates for the month of March, 1972, were determined for sample employers; turnover was defined as the percentage of the total number of employees who separated from the employing organization during that month. Since turnover rates can vary widely from month to month, particularly among small firms, these figures are of limited usefulness. The average monthly turnover rate for respondents was 5.3 per cent; this rate varied in a curvilinear manner by employer size (medium-sized employers had the highest rate). Of the three major industries represented among the respondents, the service industry had substantially higher turnover in March (8.1%) than did the manufacturing and trade industries.

EMPLOYER INTENTIONS AND THE TAX CREDIT

Most of the employers (80%) who responded said they do not intend to participate in the Job Development Tax Credit program. Among the three major industrial groupings represented there was a tendency for manufacturing industries to say they intend to take advantage of the program more than the trade industry, and trade more than service industries, but in each of the three groupings at least 70 per cent do not intend to participate (Table 3). Compared with large employers, small

TABLE 3

EMPLOYER INTENTION TO HIRE UNDER WIN TAX CREDIT,
BY INDUSTRY
(In Frequencies)

	Industry							
	Mining	Construction	Manufacturing	Transportation	Trade	Finance	Services	Total
Intend to Hire								
No	1	1	9	2	14	2	14	43
Yes	-	-	4	-	4	1	2	11
Total	1	1	13	2	18	3	16	54

employers are unlikely to use the JDTC. Among those who do not intend to use the credit, the smaller the employer, the less likely he was to

say he intends to use the tax credit. Among employers who said they do intend to use the JDTC there was no significant relationship with size (Table 4).

TABLE 4

EMPLOYER INTENTION TO HIRE UNDER WIN TAX CREDIT, BY EMPLOYER SIZE (In Frequencies)

	Size					Total
	Less Than $20	20-99	100-499	500-2500	More Than 2500	
Intend to Hire						
No	13	12	10	2	4	41
Yes	4	1	3	3	-	11
Total	17	13	13	5	4	52

One of the reasons small employers do not intend to use the JDTC is that they are less likely than large employers to hire any new employees during 1972. Among all employers who say they do not intend to use the JDTC, fully 40 per cent do not intend to hire any new employee during the entire year 1972; this was the case for only 22 per cent of those who did intend to use the tax credit. Of those who do not intend to use the JDTC, 66 per cent say they plan to hire fewer than 10 new employees in 1972; among those who say they intend to use the tax credit, only one would hire such a small number of new employees (Table 5).

TABLE 5

EMPLOYER INTENTION TO HIRE UNDER WIN TAX CREDIT,
BY TOTAL NUMBER OF PROJECTED HIRES, 1972
(In Frequencies)

	Number of Projected Hires, 1972					
	None	1-9	10-49	50-99	100 or more	Total
Intend to Hire						
No	17	10	3	4	7	41
Yes	-	1	3	2	2	8
Total	17	11	6	6	9	49

Previous hiring of WIN or welfare workers had a definite effect on whether an employer would use the JDTC. Fifty-nine per cent of the employers who had previously hired such workers said they do not intend to use the tax credit, while 90 per cent of the employers who had not (knowingly) hired WIN or welfare workers during 1971 and 1972 said they do not (Table 6). This difference suggests that employers with a prior practice of hiring WIN or welfare workers are more receptive to the tax credit program than employers who have not previously hired such workers. The difference may be attributed to favorable experiences with WIN or welfare workers, but also may reflect employer attitudes rather than experience. A substantial number of employers may hire welfare recipients for reasons involving feelings of social obligation, independently of their experiences with these kinds of workers.

TABLE 6

EMPLOYER INTENTION TO HIRE UNDER WIN TAX CREDIT, BY PREVIOUS HIRING OF WIN OR WELFARE WORKERS (In Percentages)

	Previously Hired WIN or Welfare		
	No	Yes	Total
Intend to Hire			
No	89	59	79
Yes	11	41	21
Total %	100	100	100
(N)	(35)	(17)	(52)

Prior knowledge of the JDTC was not a major factor in an employer's decision to participate. However, it should be noted that three-quarters of the employers did not know of the JDTC prior to mailing of our questionnaire. There was no distinct pattern among the few who did know of the program previously: four learned of it from the local Employment Service office, two from the employer's finance office, one from the Internal Revenue Service, and five from other sources.

Among the 43 employers who said they do not intend to participate in the JDTC, a large proportion (nearly 30%) did not give a reason for their intentions. The remaining employers gave a wide variety of reasons: they were not planning to hire during 1972 (16%), were restricted because of union regulations (16%), did not want to bother with the red tape involved (9%), or other reasons (30%) (Table 7).

TABLE 7

REASON FOR NOT HIRING UNDER WIN TAX CREDIT, BY INDUSTRY
(In Frequencies)

Reason	Industry							Total	Per Cent
	Mining	Construction	Manufacturing	Transportation	Trade	Finance	Services		
Red tape	-	-	-	1	2	-	1	4	9
Union regulations	1	1	-	-	3	-	2	7	16
Not planning to hire	-	-	3	-	2	-	2	7	16
Other	-	-	4	1	1	2	5	13	30
No answer	-	-	2	-	6	-	4	12	28
Total	1	1	9	2	14	2	14	43	99

Although the numbers involved are too small for firm conclusions to be drawn, red tape and union regulations did not seem to be problems for manufacturers, but were for the wholesale and retail trade industries. The explanation that these are the smaller employers who do not feel the time and effort are worth the return is supported when the reasons for not participating in the JDTC are related to employer size. Indeed, red tape and union restrictions were reasons given by employers with less than 500 employees, but not by larger employers. Small employers were also less likely to say they were not hiring in 1972 than large employers. "Other" reasons were evenly distributed by size (Tables 8 and 9).

TABLE 8

REASON FOR NOT HIRING UNDER WIN TAX CREDIT,
BY EMPLOYER SIZE
(In Frequencies)

Reason	Size					Total
	Less Than $20	20-99	100-499	500-2500	More Than 2500	
Red tape	1	0	2	0	0	4
Union regulations	2	3	2	0	0	7
Not planning to hire	2	2	2	0	1	7
Other	3	1	3	4	3	13
No answer	5	6	1	0	0	12
Total	13	12	10	4	4	43

TABLE 9

TOTAL NUMBER OF PROJECTED HIRES, 1972,
BY EMPLOYER SIZE
(In Frequencies)

Number of New Hires	Size					Total
	Less Than $20	20-99	100-499	500-2500	More Than 2500	
0	7	7	5	-	1	20
1 - 9	7	3	1	-	-	11
10 - 49	3	2	-	-	-	5
50 - 99	-	-	4	1	-	5
100 or more	-	-	3	3	3	9
Don't know	-	3	-	1	-	4
Total	17	15	13	5	4	54

Those giving reasons involving red tape and union regulations were employers who had not previously hired WIN or welfare employees (Table 10).

TABLE 10

REASON FOR NOT HIRING UNDER WIN TAX CREDIT,
BY PREVIOUS HIRING OF WIN
OR WELFARE WORKERS
(In Frequencies)

Reason	Previously Hired WIN or Welfare	
	No	Yes
Red tape	3	-
Union regulations	7	-
Not planning to hire	4	3
Other	10	2
No answer	7	5
Total	31	10

Some feeling for the reasons employers do not intend to participate in the JDTC can be gained through a description of some of the actual responses which fell into the "other" category. Despite the information attached to the mailed questionnaire (a reproduction of the official IRS program description), the largest group of employers in this category said they had insufficient information about the program to participate in it. A bank representative said: "No reason other than we are not familiar enough with the program to understand its merits." A large aerospace manufacturer said: "Local WIN officials have not, to our knowledge, presented any such cooperation [sic] program to us." Other employers claimed

that they participated in similar programs: "We have limited openings and other programs to consider." A few said their employees required special skills which, presumably, they did not feel would be present among WIN enrollees.

The characteristics of employers who do and do not intend to participate in the JDTC can be summarized here. Employers who do not intend to take advantage of the tax credit tend to be small employers engaged in service and wholesale and retail trade. These employers anticipate a low rate of expansion in 1972, did not knowingly hire WIN or welfare workers in 1971 or 1972, and are relatively concerned with union regulations and the red tape involved in using the JDTC. Employers who do intend to take advantage of the tax credit tend to be manufacturers who have had prior experience in hiring WIN or welfare workers.

At this point it should be noted that a distinction must be made between an employer's decision to use the JDTC and his decision to hire WIN or welfare workers in the future. Undoubtedly, employers will hire some WIN or welfare workers without knowing of their welfare status. Furthermore, some employers will knowingly hire WIN registrants but will not use the JDTC because of lack of knowledge of the program or because they do not feel the additional red tape is worth the amount of the tax credit. It should be recalled that three-quarters of the respondents in the present survey did not know of the tax credit program, and that 13 per cent of those not planning to participate in the program said they would not because of the red tape involved.

EFFECT OF OTHER INCENTIVES

Employers who said they do not intend to take advantage of the JDTC were asked if a variety of additional incentives would change their decision not to participate in the program. Incentives included a higher tax credit than the 20 per cent now in force, financial support for providing WIN employees with OJT training, and other incentives. The 43 employers who said they do not intend to participate in the JDTC were asked if a higher tax credit would change their intentions. Unfortunately, 30 per cent did not answer the question, but of the 30 respondents, most (87%) said they would not participate even if the credit were higher--only three said they would. The two responses to the question, "How high would the tax credit have to be?" were 30 per cent and 50 per cent. There was a definite size relationship between an employer's resistance to the incentive of a higher tax credit: apparently, the smaller the employer, the less receptive he is to the added incentive. This is partly explained by the employer's future hiring plans; unreceptive employers also do not intend to hire many new employees during 1972. Of the 26 who would not hire under increased tax credit incentives, 31 per cent did not plan to hire any new employees, and another 31 per cent planned to hire less than 10 new employees (Table 11). Relatively speaking, the wholesale and retail trades and service industries were less receptive to a higher tax incentive than were manufacturers (Table 12).

TABLE 11

EMPLOYER INTENTION TO PARTICIPATE IN WIN TAX CREDIT PROGRAM IF CREDIT INCREASED, BY TOTAL NUMBER OF PROJECTED HIRES, 1972
(In Frequencies)

	Number of Projected Hires, 1972					Total
	None	1-9	10-49	50-99	100 or More	
Intend to Hire						
No	8	8	3	1	5	25
Yes	-	1	-	1	-	2
No answer	10	1	-	1	2	14
Total	18	10	3	3	7	41

TABLE 12

EMPLOYER INTENTION TO PARTICIPATE IN WIN TAX CREDIT PROGRAM IF CREDIT INCREASED, BY INDUSTRY
(In Frequencies)

	Industry							Total
	Mining	Construction	Manufacturing	Transportation	Trade	Finance	Services	
Intend to Hire								
No	1	1	3	1	9	1	10	26
Yes	-	-	-	-	2	-	1	3
No answer	-	-	6	1	3	1	5	16
Total	1	1	9	2	14	2	16	45

Employers who said they do not intend to participate in the JDTC program were only slightly more receptive to additional economic assistance in the form of financial support for OJT than they were to an increased tax credit allowance. Of the 43 who do not intend to use the tax credit, six did not answer; 69 per cent said the additional assistance would not change their intentions (Table 13).

TABLE 13

EMPLOYER PARTICIPATION IN THE WIN TAX CREDIT ONLY IF OJT ASSISTANCE PROVIDED

Response	Number	Per Cent
No	29	69
Yes	7	17
No answer	6	14
Total	42	100

Seventeen per cent would hire under the tax credit. All sample employers were asked if they would be more likely to participate in the tax credit program if they received financial assistance in addition to the tax credit. Twenty of the sample failed to answer, but 54 per cent said the additional assistance would not alter their intentions (Table 14). Recall that these respondents included the 11 employers who said they would participate in the JDTC. Thus, there is a pattern suggesting that increased incentives would change the minds of a few employers, but even with the 20 per cent tax credit and financial assistance, two-thirds of those answering the question still would not participate. There is,

therefore, further evidence that nonparticipation in the JDTC is more a matter of size, future expansion, union regulations and red tape than of purely financial considerations.

TABLE 14

EMPLOYER PARTICIPATION IN THE WIN TAX CREDIT IF OJT ASSISTANCE PROVIDED (Includes Employers Who Would Participate Without OJT Assistance)

Response	Number	Per Cent
No	30	54
Yes	15	27
No answer	11	20
Total	56	101

Among the three major industries represented in the sample (manufacturing, trade, and service), manufacturers were most willing to participate in the program if they received additional financial OJT assistance; service industries were least receptive. Eighty per cent of the service industries responding would not participate even if they received assistance, while among manufacturers only half would not (Table 15). The previous hiring of WIN or welfare workers during 1971-72 did not affect an employer's willingness to use the tax credit with additional financial incentives. As expected, an employer's overall intent to expand by hiring new employees would affect his receptiveness to incentives. Employers who do not intend to hire many new employees were also less likely to say they would be affected by financial incentives--but the relationship was not a strong one. Also

as expected, employers who do not intend to participate in the JDTC would not change their minds if offered additional incentives in the form of OJT financial assistance.

TABLE 15

EMPLOYER INTENTION TO PARTICIPATE IN THE WIN TAX CREDIT PROGRAM IF OJT ASSISTANCE PROVIDED, BY INDUSTRY
(In Frequencies)

	Industry							Total
	Mining	Construction	Manufacturing	Transportation	Trade	Finance	Services	
Intend to Hire								
No	1	1	5	2	9	1	11	30
Yes	-	-	4	-	6	2	3	15
No answer	-	-	4	-	3	-	4	11
Total	1	1	13	2	18	3	18	56

Employers who said they do not intend to participate in the JDTC also were asked if there were any conditions, in addition to either the existing tax credit or a higher credit, that would induce them to participate. A very large proportion (31%) failed to answer the question, but 44 per cent (nearly two-thirds of those who answered the question) said there were no other conditions which would alter their decision not to participate. Some illustrative examples of the kinds of conditions necessary for the eleven employers who said they could be induced to

participate follow. A meat packer and processor with just over 200 employees said: "We would hire if we needed them; the meat packing business has gone to hell." A small moving and storage company representative said that union regulations would have to change; a retail food market would have to have increased business; and a hospital required better understanding of the program. Nearly half the written responses to this open-ended question suggested that the respondents failed to understand the question fully.

HIRING PATTERNS OF EMPLOYERS WHO HAD PREVIOUSLY HIRED WIN OR WELFARE WORKERS

The mailing list used for the present survey was taken from a list of employers known to have had at least one WIN worker on their payrolls during the latter half of 1970. Seventeen of the 54 employers who responded (31%) said they had hired WIN or welfare workers during 1971 or 1972; they had hired an average of five WIN workers and four welfare recipients, or nine WIN and welfare workers per employer (Table 16).

TABLE 16

WIN AND WELFARE WORKERS HIRED IN 1971 AND 1972, BY OCCUPATIONAL CATEGORY AND AVERAGE STARTING WAGE
(In Frequencies)

	WIN	Welfare	Total	Average Hourly Wage
Laborers	11	25	36	$2.35
Clerical workers	11	30	41	2.12
Service workers	23	1	24	1.65
Semi-skilled and skilled	28	13	41	1.87
All others	12	1	13	1.81
Total	85	70	155	$1.96
(Base = 17 employers.)				

Taking both WIN and welfare workers together, three-quarters of the jobs involved were about evenly divided among laborers, clerical workers, and semi-skilled and skilled workers, while service workers and other jobs filled out the remainder (Table 17).

TABLE 17

WIN AND WELFARE WORKERS HIRED DURING 1971-1972, BY OCCUPATIONAL CATEGORY
(In Percentages)

	WIN	Welfare	Total
Laborers	13	36	23
Clerical workers	13	43	27
Service workers	27	1	16
Semi-skilled and skilled	33	19	27
All others	14	1	8
Total	100	100	101

(Base = 17 employers.)

When the distribution of jobs is divided into WIN and welfare workers, a different set of skills is apparent for the two kinds of employees: welfare recipients are relatively concentrated in the clerical and labor fields, while WIN workers tend to be concentrated in the service and semi-skilled and skilled fields. Because of the small number of employers involved, however, this result probably reflects the particular job structure of the respondents rather than a situation which could be generalized beyond the present survey.

Surprisingly, laborers received the highest average hourly wage of any job category ($2.35), with clerical workers receiving the second

highest hourly wage ($2.12). The average wage for all workers was $1.96. This result may be partially explained by the fact that respondents had to define the meaning of the job categories for themselves, so that there were undoubtedly variations in interpretation of the appropriate category in which to place a given employee. In addition, the small number of respondents means that the responses are likely to be biased.

HIRING PATTERNS OF EMPLOYERS WHO INTEND TO PARTICIPATE IN THE JDTC

The number of respondents who intend to hire--with only the tax credit incentive--is so small that no meaningful analysis can be undertaken. However, we can describe in some detail the number, occupation, and wage levels of WIN workers employers claim they intend to hire. Of the 11 employers who said they would hire WIN employees, the nine respondents to detailed questions about their intentions said they would hire a total of 156 employees under the program, an average of 17.3 employees per employer (Table 18).

TABLE 18

NUMBER OF WIN WORKERS EMPLOYERS PLAN TO HIRE, BY OCCUPATIONAL CATEGORY AND PROBABLE STARTING WAGE

	Plan to Hire		Probable Hourly Starting Wage
	Number	Per Cent	
Laborers	28	26	$1.92
Clerical workers	25	24	1.98
Service workers	13	12	1.76
Semiskilled and skilled	37	35	1.92
All others	3	3	3.23
Total	106	100	
Average wage			1.95

Note: Table does not include one employer who plans to hire 40 WIN laborers and ten WIN service workers, but did not indicate probable average starting wage. Table based on results from eight employers. Average number of WIN employees these employers expect to hire is 13.3.

The few responding employers planned to hire WIN employees in about the same occupational categories, on the average, as employers who hired WIN and welfare workers during 1971 and 1972. The major categories were laborers, clerical, and semi-skilled and skilled jobs, with greater emphasis on the latter occupations. The average hourly wage for each category varies only slightly from category to category, unlike the case for previous WIN and welfare jobs, but the average wage ($1.95) is nearly identical. Only limited conclusions can be drawn from these data, due to the very small numbers involved, but one can say that there does not appear to be much change in the distribution of available jobs for WIN workers nor in the wages paid them between 1971 and the immediate future.

All employers were asked if they would hire WIN workers if given additional financial incentives in the form of OJT payments. As noted above, 15 of the total sample of 57 employers would do so, and seven of the 43 who said they would not participate in the JDTC would change their minds if given OJT assistance. Based on the responses of 12 employers who gave more detailed information on occupation and wages, employers who would participate in the JDTC with additional financial support (recall that eight of these would do so even without the additional incentive) would hire a total of 154 employees, an average of 13 per employer (Table 19). The distribution of occupations involved in cases where employers would participate in the JDTC with OJT assistance reflects the potential for on-the-job skill training that is otherwise presumably absent; the largest proportion of jobs (41%) is in the semi-skilled and skilled category, with clerical and service workers ranked next.

TABLE 19

WIN WORKERS HIRED WITH OJT ASSISTANCE,
BY OCCUPATIONAL CATEGORY

	Number	Per Cent
Laborers	16	10
Clerical workers	36	23
Service workers	33	21
Semiskilled and skilled	63	41
Others	6	4
Total (Base = 12 employees)	154	99

CONCLUSIONS AND RECOMMENDATIONS

First, a caveat must be repeated: because of the low response rate, all findings and interpretations of data from this survey must be treated as suggestive only.

Ignorance plays a major part in the stated intentions of respondents in this survey. A large number of employers are unaware that they have hired WIN workers or welfare recipients, and a large number of employers either are unaware of the WIN tax credit program or feel they do not have sufficient information on which to base a decision to participate in it.

Most employers who responded do not intend to participate in the WIN tax credit program, and a variety of additional incentives would not change their minds. Employers who do not intend to participate tend to be small firms in the wholesale and retail trades and service industries. They do not intend to participate because they do not expect to hire <u>any</u> new employees in 1972; they claim the program's red tape is not worth the financial return; they feel they are hampered by union regulations from hiring welfare recipients; they want to know more about the tax credit program before deciding whether to participate in it. Those employers who <u>do</u> intend to participate tend to be larger manufacturers who have had prior experience with hiring WIN or welfare employees. Aside from the greater willingness of these employers to absorb what they anticipate will be the greater costs of informal training of disadvantaged workers and to compensate for the assumed high turnover rate among these workers, their

decision to hire welfare recipients appears to be based on social obligation rather than by a desire for economic benefit.

Additional incentives presented to sample employers included a higher (but unspecified) tax credit, OJT financial assistance, or "any other conditions." Many employers evidently were uncertain of their receptivity to these inducements--they did not respond to the questions. The reasons employers originally decided not to participate in the JDTC also were the reasons they remained unmoved by further incentives of the kinds presented. These economically-based incentives simply do not alter the basic factors employers seem to consider when they decide whether to participate: their future expansion, the red tape involved, union regulations, and lack of sufficient information about the program. On the other hand, manufacturers were most receptive to the additional incentives--in part, perhaps, because they were already predisposed to hire welfare recipients for social or moral considerations.

These findings suggest the following recommendations. The Department of Labor, acting through local WIN offices, should initiate an educational campaign which describes the WIN tax credit program and which points out the advantages--in addition to the tax credit--which accrue to employers who hire WIN graduates rather than someone off the street. (The present author's study of employed WIN enrollees showed that they performed as well as or better than their co-workers on similar jobs.) The education campaign should focus on the manufacturing, trade, and service industries, which appear to absorb the bulk of WIN and welfare workers; the campaign should emphasize, to the greatest extent possible, the small amount of paper work involved in participating in the JDTC.

Policy-makers should recognize the limits of purely economic incentives in affecting the behavior of employers. Surprisingly, these incentives may be less effective in a slack economy: they fail particularly for small employers who do not intend to expand their businesses in the future. Although limited, the importance of moral and social considerations should not be underestimated among the factors which affect employer hiring behavior. Particularly among lar manufacturing concerns, there is evidence that appeals to an employer's obligations to society will result in increased hiring of WIN and welfare employees.

Finally, on the basis of the data produced from this small survey, some crude predictions as to the scale of the JDTC on a national basis can be made. The earlier survey of WIN employers cited above found that, at a given point in time, WIN employers have an average of 1.9 WIN employees on their payrolls. Using data from the Manpower Administration's Office of Financial and Management Information Systems, one finds that as of December 31, 1971, there were 19,177 WIN enrollees in job entry status--i.e., currently holding down jobs. Roughly, then, one can assume there are about 10,000 employers in the nation who are, at a given time, employing WIN enrollees. The present survey suggests that, of these 10,000 employers, only 20 per cent will participate in the JDTC; these 2,000 employers will hire an average of about 17 employees each, for a total of 34,000 employed WIN enrollees. At an average wage of $1.95 per hour, if these employees remain on the job for the required length of time, the annual tax revenue potentially involved is: 2,000 hours per year x $1.95 per hour x 34,000 workers, or $132,600.000. To some (unknown) extent, the effect on employer participation in the JDTC program of the fact that the program is as yet unknown to a large number of employers (and presumably

will become known to them) is offset by the fact that a number of WIN employees will not remain on the job the required 12 months. The expansion of the program as of July 1, 1972, will, of course, greatly expand the eligible population, but this may have no effect on the number of employers who will participate in the JDTC.

APPENDIX I

Methodology

The employers surveyed in this study were part of another, larger national survey of employers who had hired graduates of the WIN program.[1] For the larger survey, employers were selected by a two-step sampling procedure. First, 15 WIN projects were selected from a sampling frame of projects within the continental United States, each estimated to have 25 or more employers in their jurisdictional areas with at least one WIN employee on their payrolls. (The probability of selecting a project was proportional to the estimated number of WIN employers in the area, so that each WIN employer in the nation had an equal probability of selection.) Second, at each selected WIN project 20 employers actually employing WIN workers at the time of the survey (mid-1970) were chosen at random. Due to the refusal of one WIN project to permit us entry, only 14 WIN sites were included in the final survey.

For the present survey all private employers were singled out: 219 of the original 280. After elimination of two employers who were part of another, similar survey by the Bureau of National Affairs and omission of 12 private employers who were ineligible for the WIN tax credit because of their nonprofit status, the total "N" for the present survey was 205. Sample employers were sent the questionnaire and the description of the tax credit program reproduced in Appendix II. The response rate on the first mailing was extremely poor; followup included 89 telephone calls

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[1] J. David Roessner, Employment Contexts and Disadvantaged Workers, Bureau of Social Science Research, Inc., Project Number 429, November 1971.

that did not require a second mailing of the questionnaire and 104 calls that did. Despite these efforts, only 57 employers responded in time to be included in the analysis--a response rate of 28 per cent (see Tables A-1 and A-2).

TABLE A-1

EMPLOYER RESPONSE DATA

Employer Inappropriate (Nonprofit)	12
Nonresponse	148
Out of business	3
Cannot locate (address incorrect, moved)	7
Nonreturn of questionnaire	138
Responses	57
Total sample employers (Response rate: 28%)	205

TABLE A-2

FOLLOWUP DATA

Number of followups	193
Telephone, no second mailing	89
Telephone, second mailing	104
Results of followup	193
Telephone, no second mailing, response	20
Telephone, no second mailing, no response	69
Telephone, second mailing, response	24
Telephone, second mailing, no response	80

There is evidence that the nonrespondents do not differ in significant ways from the respondents: the distribution of respondents by industry closely resembles that of the original sample, and to a lesser extent the same may be said for organization size (as measured by number of employees on the payroll). (See Tables 1 and 2.) Despite these similarities in size and type between sample employers and respondents, the low response rate clearly means that the data should be regarded as suggestive only, and that conclusions drawn from the analysis should be regarded with the greatest of caution.

Tax Credit For Wages Paid Under Work Incentive Program

Effective for tax years beginning after December 31, 1971, employers may claim a Federal income tax credit of 20 percent of the cash wages they paid for the first 12 months of employment of a worker hired under a Work Incentive Program (WIN). This credit does not affect an employer's deduction of the wages as a business expense. The credit cannot be claimed on any portion of the wages for which the employer is reimbursed.

For an employer to qualify for this credit, the WIN employee must

be certified by the Secretary of Labor as having been hired under the program and as not having displaced another employee;

receive the same wages as other employees performing comparable services for the employer; and

work in the employer's business or trade (this eliminates household labor) and in the United States.

The employee cannot be a close relative.

The WIN employee's first 12 months of work need not be consecutive, but no credit will be allowed for wages after 24 months from the date of his initial employment. If he is discharged for any reason other than misconduct (as determined under the State's unemployment compensation law) before the end of the first 12 months of employment or during the following 12 calendar months, his employer must repay the tax credit. The employer need not repay the credit if the employee leaves voluntarily or becomes disabled during these periods.

There is a limit to the yearly amount of allowable credit for wages paid WIN employees. Credit for the tax year cannot exceed the tax liability up to $25,000, plus 50 percent of the tax liability in excess of $25,000. If the credit for the year is more than the allowable amount, the unused portion may be carried back three years (but not to years beginning before 1972) and then forward seven years from the year the credit originated.

Employers may take the credit into account in computing their 1972 estimated tax liability. Individual employers should add the estimated credit to line 8 of Form 1040-ES Estimated Tax Worksheet; corporate employers should add their estimated credit to line 13 of Form 1120-W Estimated Tax Worksheet.

Employers who would like to hire under the WIN program, or who need certification of employees so hired, should contact their local State employment service.

Notice 264 (2-72)

Department of the Treasury
Internal Revenue Service

EMPLOYER SURVEY QUESTIONNAIRE

Tax Credit for Wages Paid to Workers Hired from WIN or Welfare

Instructions: Please circle the number at the end of the dots following the appropriate response category. Where you are asked to write numbers, please estimate if the exact figures are not available.

1. What is the principal activity of your company (i.e., the chief product, service performed, etc.)?

_____

_____

2. Is there a Work Incentive (WIN) program in your company's community?

No 0
Yes 1

3. Did your company know about the tax credit provisions described above before you received this questionnaire?

No (Skip to Q. 4) 0
Yes (Answer Q. 3A) 1

A. What was the source of this information?_____

_____

4. During 1971 and/or 1972, did your company participate in any Government program involving the hiring of workers who were receiving welfare assistance or were in WIN programs?

No (Skip to Q. 5). 0
Yes (Answer Q's 4A-C). . . 1

A. How many welfare and WIN workers did you hire in 1971 and 1972? (Use estimates if exact figures are not available for each year.)

Number of welfare and WIN workers hired in 1971 _____

Number of welfare and WIN workers hired in 1972 _____

B. How many of these workers were in the Work Incentive Program (WIN) in each year?

Number of WIN workers hired in 1971 ____
Number of WIN workers hired in 1972 ____

C. Please list in the following table the number of welfare and WIN workers hired during 1971 and 1972, their job category, and average starting wage.

Job Category	Number Welfare and WIN Hired			Average Wage (Specify per hour or week)
	Total	WIN	Welfare	
Laborers				
Clerical workers				
Service workers				
Semi-skilled and skilled production workers, total (Please specify job types below.)				
_____				
_____				
_____				
Others, total (Please specify job types below.)				
_____				
_____				
_____				

5. Regardless of welfare or non-welfare characteristics, how many new employees does your company expect to hire in the 12 months of calendar year 1972?

Total number of new hires, calendar 1972 ____

6. On the basis of the tax credit provisions described in the enclosed IRS release, does your company plan to take advantage of these credits by hiring eligible WIN workers during the remainder of 1972?

No (Skip to Q. 7) 0
Yes (Answer Q. 6A, then skip to Q. 8) . . 1

A. Please list on the following table the number of WIN workers you plan to hire, their job category, and probable starting wage.

Job (or Occupational) Category	Approximate Number Of WIN Workers You Plan to Hire	Probable Wage (Specify per hour or week)
Laborers		
Clerical workers		
Service workers		
Semi-skilled and skilled production workers, total (Please specify job types below.)		
_____		
_____		
_____		
Others, total (Please specify job types below.)		
_____		
_____		
_____		

7. Is there a particular reason, such as union contract restrictions, that your company does not intend to take advantage of the tax credit provisions? (Please specify in the space below.)

_____

_____

A. Would you hire WIN workers if the WIN tax credit were higher?

No (Skip to Q. 7C) . . . 0
Yes (Answer Q's 7B-C). . 1

B. How high a tax credit would this have to be?

____%

C. Are there (other) conditions under which you would hire WIN workers?

No (Answer Q. 8). 0
Yes (Please specify below). . . 1

_____

_____

8. Would you be more likely to hire WIN workers--with tax credit--if you could also receive assistance (financial support) in providing them with on-the-job (OJT) training?

No (Skip to Q. 8). . . 0
Yes (Answer Q. 8A) . . 1

A. Please indicate in the following table the number (or additional number) of WIN workers you would hire, and their job category, if you could receive such assistance.

Job Category	Approximate Number of WIN Workers You Would Hire
Laborers	
Clerical workers	
Service workers	
Semi-skilled and skilled production workers	
Others	

9. In order to estimate to what extent firms like yours will use the tax credit program, we would like to know your employment size and labor turnover. How many employees were on your payroll on March 15, 1972, or the payroll period nearest to it?

Number of employees, March 15, 1972 _____

A. Please supply figures on labor turnover (number of persons) for the month of March 1972, below.

Total number of new hires, March 1972 _____

Total number of separations, March 1972 _____
(including layoffs, quits, discharges, etc.)

10. What is your average entry wage for the job categories in which you have hired, or might consider hiring, workers under the tax credit program? Please indicate average hourly or weekly wages for each job category in the following table.

Job Category	Entry Wage (Specify per hour or week)
Laborers	
Clerical workers	
Service workers	
Semi-skilled and skilled production workers, total: (Please specify job types below.)	
_____	
_____	
_____	
Others, total (Please specify job types below.)	
_____	
_____	
_____	

Thank you very much for your help. Should you have any questions about the survey, please call the Bureau of Social Science Research. So that we can get in touch with you by phone in case any responses need clarification, please give your name and telephone number.

Name _____

Telephone number _____